

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: #03-18
STATE AGENCY: FSSA

DATE PREPARED: Jul 29, 2003
DATE RECEIVED: Jun 18, 2003

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Digest of Proposed Rule: The proposed rule amendment will remove an annual cost inflationary adjustment to the inpatient hospital rates paid by the Medicaid program and make changes to the medical education rate calculation.

Governmental Entities: *State Impact:* The proposed rule will remove annual adjustments made to the inpatient hospital payment rate paid by the Medicaid program. The amended rule removes the inflationary adjustment for prospective components of hospital rates including: DRGs, level of care, capital, and medical education. The amendment eliminates the required annual adjustment and therefore will allow the Office of Medicaid Policy and Planning (OMPP) to continue paying the rates currently in effect. The elimination of the inflationary adjustment is estimated to result in a state savings of \$4.8 M in FY 2004 and \$5.0 M in FY 2005, based on total (state and federal) expenditure reductions of \$12.7 M in FY 2004 and \$13.2 M in FY 2005. Under the rule as it currently exists and as amended, OMPP may adjust the base rates no more often than once every two years, but is not required to do so. This rule places no unfunded mandates upon state government.

Local Impact: This amended rule will impact the reimbursement received by county-owned hospitals. The impact on each county-owned hospital will be related to the number of Medicaid recipients served by the respective hospitals. This rule places no unfunded mandates upon any local government unit.

Regulated Entities: Hospitals in the state are expected to receive reduced reimbursement of \$12.7 M in FY 2004 and \$13.2 M in FY 2005 due to the elimination of the inflationary adjustment. The impact on each hospital will be related to the number of Medicaid recipients served by the respective hospitals.

While hospitals are considered to be regulated entities, participation in the Medicaid program is voluntary on the part of providers. According to OMPP, there are approximately 150 hospitals actively participating in the Medicaid program.

Information Sources: Zachary Jackson, OMPP, (317) 234-2928.